

# Kentucky Agricultural Development Board

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## *Minutes of the November Board Meeting*

The regular meeting of the Kentucky Agricultural Development Board was held on **November 21, 2003** at **10:20 a.m.**, at the Kentucky History Center's Brown-Forman Room. Commissioner Billy Ray Smith, presiding, called the meeting to order, and the Secretary called the roll.

### **Members Present**

Daniel Case, Larry Clay, Wayne Hunt, Sam Lawson, Sam Moore, Willa H. Poynter, Eddie Sellers, Commissioner Billy Ray Smith, Dean M. Scott Smith, Smith Mitchell designee for Secretary Gene Strong

### **Members Absent**

Susan Harkins, Governor Paul E. Patton, Michael Slaughter, Sidney Stewart

### **Others Present**

**Staff** – Jeff Belcher, David Bratcher, Laurie Dudgeon, Sandra Gardner, Bill Hearn, Kara Keeton, Marjorie May, Bill McCloskey, Joel Neaveill, Brad Nelson, Gene Royalty, Brad Wellons, Stephen Yates **Guests** – Stan Lampe, Northern KY Regional Farmers Market (NKRFM); Dennis Williams, NKRFM; George Heeger, NKRFM; Shana Herron, Community Farm Alliance (CFA); Pas Martin, CFA; Ed Nelson, CFA; Charlie Ison, CFA; Larry Manning, 4 Seasons; Louis Flanery, City of Flemingsburg; Steve Miller, Buffalo Trace Area Development District; Larry Foxworthy, Fleming Co. Judge Executive; Mike Collins, UK Agronomy; Rick Alexander, Commodity Growers Cooperative (CGC); Brent Lackey, Cumberland Farm Products; Larry Jones, UK Agriculture Economics; Steve Coleman, KY Division of Conservation; Marcus Green, Courier Journal; Kim Dunn Hammons, Tourism Development Cabinet; Eric Scorsone, UK Rural Sociology; Biff Baker, Legislative Research Commission (LRC); DeVon Hankins, LRC; Ron Hustedde, UK Rural Sociology; Representative Mike Denham, KY House District 70

### **Notification of Media**

Commissioner Smith received verification from Gene C. Royalty that the media had received notice regarding the Agricultural Development Board meeting.

### **Welcome**

Commissioner Smith called the meeting to order. Commissioner Smith welcomed special guests to the meeting. Commissioner Smith recognized Representative Mike Denham. Rep. Denham said a few words of thanks and recognized guests he brought from his area.

### **Approval of Minutes**

The minutes of the October 17, 2003 meeting were approved as presented.

## Executive Director's Report

Mr. Royalty recognized Keith Rogers as part of the transition team, who is present.

Mr. Royalty yielded the floor to David Bratcher for a report on the KY Agricultural Finance Corporation (KAFC). Mr. Bratcher updated the Board on the last meeting of KAFC. Mr. Bratcher also noted that there is an upcoming meeting with the Finance Cabinet regarding the transfer of the \$20 million the Board approved for KAFC.

Mr. Royalty directed the Board to the green memo handed out today, regarding items from the October planning meeting. Mr. Royalty reviewed the items on the memo and gave the opportunity for questions.

Discussion of Item 4, "Future meeting structure/timeline," took place. Questions and discussions occurred about the pros and cons of each option.

Commissioner Smith gained consensus from the members that at the December 19 meeting the Board project review committees would meet in the morning and the full board would meet in the afternoon.

Ms. Poynter asked when review would begin. Consensus was taken for 9:00 a.m. on December 19.

Mr. Royalty asked if there were any questions about the Community Farm Alliance's marketing plan and presentation from project review.

Sam Moore noted that many things in the document were things that the Board is currently trying to do.

Commissioner Smith noted that the comprehensive study for farmers' markets would be ready for the December meeting. Commissioner Smith proposed that a presentation of the results be given at the December meeting.

Mr. Royalty indicated materials were handed out regarding a proposed match change for model programs for those with limited income, which was presented to the Rural Issues subcommittee. Mr. Royalty yielded the floor to Mr. Bratcher for a presentation of this issue. *[The presentation is on-file with the Board Secretary.]*

Mr. Bratcher reviewed the goals of the issue being addressed.

Mr. Bratcher reviewed the options: reduced match based on county thresholds versus reduced match based on individual thresholds.

Mr. Bratcher reviewed staff's recommendation:

- A. County Councils would have the option to reduce match requirements for producer participation in model programs;
- B. Match requirements would depend on adjusted gross income, based on family size and county of residence;
- C. Annual data from US Department of Housing & Urban Development (HUD) would provide family income limits

Mr. Bratcher reviewed the suggested match requirements and provided an example.

Mr. Bratcher reviewed how income verification would occur.

Commissioner Smith opened the floor for questions and comments.

Wayne Hunt clarified that if someone did not fit with the reduced income guidelines, then there was still a 50% match. Mr. Bratcher indicated that anyone above the threshold would still have the 50% match.

Dean Scott Smith raised questions about the problems that can arise when dealing with personal income. For example, what if someone is in a partnership whose cumulative income is above the threshold, but the individual is below. Mr. Bratcher indicated that this could be a problem, but this would be based on the individual family, not the partnership.

Dean Smith noted that we might want input from the incoming Chair, since the outgoing Chair was very adamant about the 50% match.

Danny Case noted that he was from one of the areas interested in this. Mr. Case shared viewpoint on the project. Mr. Case moved to accept Mr. Bratcher's recommendation and give the counties the option to adopt the reduced match program, using individual income; Eddie Sellers seconded the motion.

Mr. Bratcher noted that staff is working to shore up the model program guidelines and maybe this motion could be tabled and incorporated into those updated guidelines.

Mr. Sellers noted that this issue has been hashed out for over a year, and as a member of the low-income committee, he feels that this is on the mark and needs to move forward.

Commissioner Smith clarified when this would start. Mr. Bratcher indicated that this could be done immediately with data released in April.

Mr. Moore noted that though this was important, there is also the issue of additional paperwork. Mr. Moore moved to table decision on the motion until December or January; Mr. Hunt seconded the motion.

Mr. Case noted that, regarding the paperwork, if a farmer wants this reduction bad enough, then he/she will more than likely be willing to do a little extra to get it.

Commissioner Smith noted his concerns about income verification and confidentiality.

Mr. Moore does not disagree with the proposal, but feels that more consideration needs to be given on exactly how this works.

Commissioner Smith called the question on the motion to table. The Commissioner called for division; the Board Secretary called roll: 5 yeas (Clay,

Hunt, Moore, Dean Smith, Mitchell); 3 nays (Case, Poynter, Sellers). The motion to table passed; therefore, the motion regarding the reduced match for model programs was tabled until December or January.

Mr. Royalty noted that a copy of the Annual Report had been distributed; a final copy will be ready in December when they return from the printer.

Mr. Royalty recognized Dr. Ron Hustedde, UK Rural Sociology, to make a presentation for the NE Kentucky Entrepreneurship Coaching Initiative, which the Board funded through KCADE funds earlier in the year.

Dr. Hustedde gave a brief introduction and background. He noted the materials related to the presentation, which were distributed today. *[A copy of these materials is on file with the Board Secretary.]* Dr. Hustedde recognized additional colleagues working on the project who were present.

Dr. Hustedde yielded the floor to Eric Scorsone to give the presentation. Dr. Scorsone reviewed the research questions being asked and the process used for this project.

Dr. Scorsone reviewed the findings from the research and the focus groups. Dr. Scorsone also reviewed the research findings from the secondary data, as well as identifying best practices. Dr. Scorsone provided an example with the Industrial Recruitment and Retention Model, and applied it to an Entrepreneurship Support Model.

Dr. Scorsone reviewed the implications of the support system gap for entrepreneurship at the local and regional level.

Dr. Scorsone indicated that a timeline of "Next Steps" had been distributed to the Board. Dr. Scorsone noted that there would be an entrepreneurship conference on April 19 at Carter Caves State Park for potential participants and others who are interested in stimulating rural entrepreneurship. The first entrepreneurial coaching class is scheduled to begin in fall of 2004.

Wayne Hunt moved that the project be allowed to move forward with Phase II; Smith Mitchell seconded the motion. The Chair opened the floor for discussion.

Mr. Bratcher noted that pieces of this project were presented at the Rural Issues subcommittee.

Mr. Moore clarified that the money was already earmarked. Mr. Bratcher noted that is was and that this presentation was part of the conditions of the award, so that the Board could determine if they wanted to move forward with the project.

The motion passed without dissent.

## Referral of August Projects<sup>1</sup>

Mr. Royalty presented projects A2003-0605 to A2003-0626 for referral to the Board's Project Review Committees. Mr. Moore moved that A2003-0605 to A2003-0626 be referred the Board's Project Review Committees; Mr. Case seconded the motion. The motion passed without dissent.

## Approval of Model Programs<sup>2</sup>

Mr. Royalty submitted project A2003-0583 as a project meeting the model **Agricultural Diversification Program** guidelines.

Royalty submitted projects A2003-0530 and A2003-0556 as projects meeting the model **Fencing Improvement Program** guidelines.

Mr. Royalty submitted projects A2003-0580 and A2003-0593 as projects meeting the model **Forage Improvement & Utilization Program** guidelines.

Mr. Royalty submitted projects A2003-0525 and A2003-0528 as projects meeting the model **Genetics Improvement Program** guidelines.

Royalty submitted project A2003-0587 as a project meeting the model **Goat Diversification Program** guidelines.

Royalty submitted projects A2003-0522, A2003-0589, A2003-0595, and A2003-0599 as projects meeting the model **Cattle Handling Facilities Program** guidelines.

Royalty submitted projects A2003-0499, A2003-0527, A2003-0546, A2003-0574, and A2003-0601 as projects meeting the model **Hay, Straw & Commodity Storage Program** guidelines.

Royalty submitted project A2003-0575 as a project meeting the model **On-farm Water Enhancement Program** guidelines.

Mr. Case moved the said applications be approved for the named model programs; Mr. Hunt seconded the motion. The motion passed without dissent.

## Committee Reports

### Blue Project Review Committee

Danny Case reported for the Blue Project Review Committee (PRC). Mr. Case noted that the Blue PRC is presenting 12 applications for funding consideration.

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<sup>1</sup> A detailed list of the referred projects is attached as Appendix A.

<sup>2</sup> A detailed list of projects funded under each model program category is attached as Appendix B.

Mr. Case presented **P2003-0084, Barren River Regional Livestock Center**. The application received a high priority from Butler, Grayson, and Warren Counties. The applicant requested \$62,500 in county funds from the prior listed counties to relocate the existing stockyard from downtown Bowling Green to a renovated tobacco warehouse in Warren County. The tobacco warehouse will be converted into a state of the art stockyard facility that will provide increased marketing opportunities for livestock producers in south central Kentucky.

The Red Committee recommended funding as follows to correspond with the County Councils' recommendations: \$50,000 Warren; \$2,500 Grayson; \$5,000 Butler. Mr. Case moved that \$57,500 be approved for P2003-0084<sup>3</sup> as detailed above; Mr. Moore seconded the motion. The motion passed without dissent.

Mr. Case presented **A2003-0477, River Valley Winery, Inc.** The application received a high priority from Carroll, Gallatin, and Owen Counties. The applicant requested funds to help the expansion of their winery from a small facility to a 16,000-gallon winery on a working tobacco farm. The winery has worked with 8 grape growers and honey producers in Campbell, Carroll, Gallatin, Henry and Owen Counties all of whom are tobacco farmers. The winery will contract with 10 more grape producers and 6 more honey producers in these and other counties. The owners, Vicki and Krasmir Georgiev have worked with the University of Kentucky and have extensive experience and training in grape and wine production from the wine producing area of Eastern Europe.

The Blue Board Project Review Committee recommended funding A2003-0477 in the amount of \$49,591 in State funds; \$5,000 in Owen County funds; and \$1,000 in Gallatin County funds for the eligible equipment requested. Mr. Case moved that \$55,591 in state and county funds be approved as detailed above; Ms. Poynter seconded the motion. The motion passed without dissent.

Mr. Case presented **A2003-0478, Kentucky Ketch, Inc.** The application received a high priority from Clay County. The applicant requested \$21,600 in county funds for a shared use equipment project. The equipment will be available to all the farmers in the county. Included equipment consists of a lime/fertilizer spreader, a manure spreader, a no till drill, and a post driver, all of which will be available for lease to all farmers in the county. Financial documentation of match from Clay Co. Farm Bureau and Clay Co. Conservation District and the project budget are included.

The Blue Project Review Committee recommended funding \$16,600 for this project, excluding the no-till drill, which should be done under the shared-use component of the forage program. Mr. Case moved that A2003-0478 be approved for \$16,600; Mr. Sellers seconded the motion. The Chair opened the floor for discussion.

Mr. Moore clarified that the no-till drill would be approved under the forage program. It was affirmed that this was true. Mr. Moore asked if this portion could be approved today instead of waiting until December.

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<sup>3</sup> P2003-0084 encompasses the following applications: A2003-0414, Butler Co.; A2003-0444, Grayson Co.; and A2003-0474, Warren Co.

Mr. Case amended his motion to include that the county will use \$5,000 from their existing Forage Improvement & Utilization Model Program<sup>4</sup> for the no-till drill. This amendment passed by acclamation.

The question was called. The motion passed without dissent.

Mr. Case presented **A2003-0524, Paintsville, Livestock Market, Inc.** The application received a high priority from Johnson County. The applicant requested \$2,633 of Johnson County funds to upgrade computer hardware for their current scales used for weighing livestock. The Paintsville Livestock Market has been in business since 1954, selling horses, cattle, hogs, and sheep. The Market has recently added graded goat sales.

The Paintsville Livestock Market, Inc. services approximately 250 farm families. Approximately 75 of those services are tobacco dependent.

Mr. Case moved that A2003-0524 be approved for \$2,633 in Johnson County Agricultural Development Funds; Ms. Poynter seconded the motion. The motion passed without dissent.

Mr. Case presented **A2003-0539, Nicholasville Now!** The application received a high priority from Jessamine County. The applicant requested \$1,000 of county funds to promote the Nicholasville Farmers' Market. Funds would be used to purchase banners advertising the market, signage directing consumers to the market, as well as, promotion of the market.

Mr. Case moved that A2003-0539 be approved for \$1,000 of Jessamine County Agricultural Development Funds; Mr. Sellers seconded the motion. The motion passed without dissent.

Mr. Case presented **A2003-0542, James Cotton and Jeff Cotton.** The application received a high priority from Caldwell County. The applicant requested \$16,529 in Caldwell County funds to cover a portion of the cost of purchasing a portable irrigation system to use on their own farms as well as to provide custom irrigation services to producers in Caldwell, Lyon and Trigg Counties. The Applicants anticipate they can provide services for 10-15 other local farming operations in the area annually. Currently, this community does not have readily available access to reliable custom irrigation services.

The Blue Committee recommended funding this request in the amount of \$10,000 in Caldwell County funds, consistent with the County Council's recommendation. Mr. Case moved that A2003-0542 be approved for \$10,000 in Caldwell County Agricultural Development Funds; Mr. Hunt seconded the motion. The motion passed without dissent.

Mr. Case presented **A2003-0548, Candle Bee Farm.** The application received a high priority from Jefferson County. The applicant requested funds to aid in the expansion of a small 100% beeswax candle making business, which utilizes

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<sup>4</sup> The Clay County Forage Program is listed as A2002-0154, Kentucky Ketch, Inc.

Kentucky wax and honey from beekeeping operations. The applicant has found a market for all-natural, non-toxic candles and honey for the home and kitchen. Candle Bee Farms has been purchasing wax and honey from members of the Kentuckiana Beekeepers Association for this year's production and has sold \$9,450 in candles and honey in the first six months of production in 2003.

The Agricultural Development Board funds will be used for equipment for expansion of this operation to increase production and increase beeswax purchases to 6,500 pounds per year. Currently Candle Bee Farms purchases wax and honey from 7 different farms in Jefferson, Bullitt, Grayson, Hardin, Shelby and Spencer counties, the majority of whom are current or former tobacco farmers. Candle Bee Farms pays up to \$5.00 per pound for the wax depending on the condition of the wax.

Mr. Case moved that A2003-0548 be approved for \$9,900 in state and \$100 in Jefferson County funds; Mr. Sellers seconded the motion. The motion passed without dissent.

Mr. Case presented **A2003-0552, Marshall County Conservation District**. The application received a high priority from Marshall County. The applicant requested \$750 in Marshall County funds to assist with conducting a Home and Farm Safety Day. Approximately 385 fifth grade students and their families will benefit from this project.

Mr. Case moved that A2003-0552 be approved for \$750 in Marshall County Agricultural Development Funds; Ms. Poynter seconded the motion. The motion passed without dissent.

Mr. Case presented **A2003-0558, Carlisle County Conservation District**. The application received a high priority from Carlisle County. The applicant requested \$50,000 in county funds to implement a cost-share program to assist producers in purchasing GPS guidance systems, yield monitors, mapping software, data storage hardware and other GPS equipment to implement a precision agriculture program into their operations. The cost-share rate will be 50/50, with a maximum of \$4,000.00 per farm operation. This program will impact net farm income by allowing farmers to adopt equipment that will allow more efficiency, be more environmentally friendly, and increase profits.

Mr. Case moved that A2003-0558 be approved for \$50,000 in Carlisle County Agricultural Development Funds; Mr. Sellers seconded the motion. The motion passed without dissent.

Mr. Case presented **A2003-0564, Central Kentucky Grower's Association**. The application received a high priority from Scott and Bourbon Counties. The applicant requested \$10,500 of KCADE and county funds. KCADE funds are being requested since this application is an example of new product development and research, which is one focus for KCADE eligible grants. Agricultural Development Funds would be utilized to cost-share with producers on purchases of seed, seeders, gutter and wick mat systems, screening for greenhouses, templates, and specialized trays for different hydroponic systems.



This project offers possibilities of off-season and full season usage of excess capacity in Kentucky tobacco greenhouses. It also offers opportunities for year round marketing of vegetable products through the Central Kentucky Grower's Association. This technology has been successfully done in other parts of the United States and the world, it is relatively low cost and offers Kentucky tobacco producers an alternative use for their empty tobacco greenhouses.

The project will be conducted in conjunction with the Central Kentucky Grower's Association, who will act as the marketing agent for the product. Dr. Robert Anderson of the University of Kentucky College of Agriculture, the Bourbon and Scott County Cooperative Extension Service and five local greenhouse producers will also coordinate this project.

Mr. Case moved that \$8,000 in KCADE, \$1,000 in Scott and \$1,500 in Bourbon County Agricultural Development Funds be awarded A2003-0564; Mr. Moore seconded the motion. The motion passed without dissent.

#### Red Project Review Committee

Sam Moore reported for the Red Project Review Committee (PRC). <NAME> noted that the Red PRC is presenting 10 projects for funding consideration.

Mr. Moore presented **A2002-0118, Buffalo Trace Area Development District (BTADD)**.

The application received a high priority from Fleming County. The applicant requested funds to establish a revolving loan fund to attract and promote diversified businesses in the region. Originally the application was to create a blind fund for \$1.5 million with no participants identified. Subsequent meetings with BTADD and GOAP staff have resulted in a revised application from BTADD. Now the requested amount will equal \$1 million, with \$18,618 provided from Fleming County's funds and \$981,382 provided in State funds.

Additionally BTADD has identified a first borrower for the \$1 million, 4 Seasons Marketing, a company that markets specialized feed. The company currently purchases the components of the feed from outside of Kentucky but is creating a manufacturing facility in Fleming County to realize a cost savings. By locating in Fleming County, the company will create 15 new jobs on-site and will support Kentucky tobacco farmers through the purchase of distillers' grain from Commonwealth Agri-Energy, the purchase of meal from the soybean extrusion plant in Lewis County, and the purchase of hardwood pallets from manufacturers located in the Buffalo Trace area.

The BTADD will be a rate of 1% for a 15-year term with monthly level principal and interest payments. Annually BTADD will recover approximately \$72,000 that it can re-lend to other agribusiness borrowers in the area. As funds are repaid to BTADD, they will be available to other agri-businesses in the BTADD Area (Bracken, Fleming, Lewis, Mason and Robertson) in perpetuity.

Mr. Moore reviewed the proposed terms and conditions for the project. Mr. Moore moved that A2002-0118 be approved for \$18,618 in Fleming County and \$981,382

in state Agricultural Development Funds; Ms. Poynter seconded the motion. The Chair opened the floor for discussion.

Dean Smith inquired as to why this project should not go to the KY Agricultural Finance Corporation (KAFC). Mr. Bratcher noted the benefit of this project being handled outside KAFC is that this will be a revolving loan fund solely for that specific area; it is not just about the initial project being funded.

Dean Smith inquired about how funds will be used after the initial project (4 Seasons). Mr. Bratcher noted that the applicant would report annually to the Agricultural Development Board; also the terms and conditions state that the revolving loan fund will be used only for agriculture related businesses.

Mr. Sellers reiterated the Dean's first question as to why this application should not go to KAFC. Mr. Bratcher responded that the money would continue to recycle in the area.

Mr. Hunt shared discussions that the committee had when reviewing this application.

The question was called. The motion was approved without dissent.

Mr. Moore excused himself for a call regarding the tobacco buyout. Mr. Hunt resumed the Red Committee's report.

Mr. Hunt presented **A2002-0683, Kentucky Forage and Grasslands Council**. The applicant requested \$470,887.00 of KCADE funds to develop agricultural alternatives for farmers in northeastern Kentucky. This project will address three critical areas to assist interested producers in utilizing forages and forage/livestock enterprises to help reduce lost tobacco income. First, this project will fill an existing gap in information on the best forage species and varieties for use in pastures and hay for use in feeding goats in Northeastern Kentucky. Secondly, they will help producers better understand the economic implications of better harvest and storage techniques. The final component of this application is the establishment of a Hay Marketing Specialist. This component would also support the Buffalo Trace Area Produce and Hay Auction project, which is being recommended for funding this month also. In addition the Hay Marketing Specialist would bring hay growers and potential buyers together to increase markets for Kentucky hay producers.

KCADE funds are being requested for this project because it falls under the capacity-building education and hands-on training for farmers component of the KCADE mission statement. As producers search for alternatives, they recognize that much of the land in this region is best suited for production of forages in the form of pasture, hay and silage for on-farm feeding and for sale.

The Red Project Review Committee recommended funding this application at the level of \$362,561.00 of KCADE funds. This level indicates removing the Stored Forage component as staff felt like Cooperative Extension was already doing this. Additionally, the committee saw the greater opportunity for this area as improved

forage systems for goats and a hay-marketing specialist to work in conjunction with the proposed hay auction in Mason County.

Mr. Hunt reviewed the proposed terms and conditions for the project. Mr. Hunt moved that A2002-0683 be approved for \$362,561.00 in KCADE funds; Smith Mitchell seconded the motion. The Chair opened the floor for discussion.

Mr. Sellers noted that this application looked redundant to what is already being done.

Mr. Hunt noted the importance of the goat component, and that even though goats can eat anything for better meat production they need to eat better forages.

Commissioner Smith responded to a question about difference in this project and the KY Department of Agriculture's (KDA) programs. The Commissioner noted that this project does not replace or duplicate KDA's efforts. The Commissioner recognized Mike Collins, University of Kentucky, as a forage specialist. Dr. Collins noted that this was a good project to focus on logical enterprise for the area; cash hay is a new role for many of the producers in the area.

Mr. Lawson asked if this is something that extension is already doing. Dean Smith indicated that the answer was "yes" and "no." The regional marketing specialist is new and the cash hay component is new to the area. It was also pointed out that the parts of the application that were deemed duplicative were removed from the recommendation.

The question was called. The motion passed with dissent [1 nay – Sellers].

Mr. Hunt presented **A2003-0214, In Town Winery, LLC**. The applicant requested \$1,875,000 of Agricultural Development funds (\$1,000 - Jefferson County, \$1.874 million state). The applicant sought expansion of the winery into a location on the Louisville waterfront. In Town Winery will purchase all remaining available Kentucky grapes from Kentucky vineyards and grape producers (estimated to be about 30% of the total harvest) for their wines. They produce world-class still and sparkling wines and will sell them through four different routes. The first route will be a hospitality tasting room and retail center on site at the winery in a waterfront location, which also includes a barrel futures program. Second will be a winery restaurant located on site. Third will be wholesale to distributors. Fourth will be bond-to-bond sales to other small wineries. The Agricultural Development Board funds will be used to supplement the purchase of winemaking equipment.

In Town Winery expects to purchase any excess grape tonnage of sound ripe quality available in Kentucky. They estimate that the project will involve 30-35 grape growers, in 22 counties statewide who are or have been involved in tobacco production in the past. The 22 counties that have growers are: Anderson, Bourbon, Caldwell, Campbell, Christian, Daviess, Fleming, Franklin, Grayson, Greenup, Hancock, Hardin, Jefferson, Johnson, Lawrence, Lewis, Lincoln, Marion, Nelson, Wayne, and Woodford. With the expansion, the winery will be at

production of 50,000 gallons of wine within 3 years, 5 times larger than any current Kentucky winery.

The Red Project Review Committees recommended funding of \$294,509 in state funds and \$1,000 in Jefferson County funds. This amount is half of the \$591,018 in eligible equipment requested in the revised breakdown of equipment submitted by the applicant. Mr. Hunt reviewed the proposed terms and conditions for the project. Mr. Hunt moved that A2003-0214 be approved for \$294,509 in state and \$1,000 in Jefferson County Agricultural Development Funds; Mr. Lawson seconded the motion. The Chair opened the floor for discussion.

Commissioner Smith shared discussion from the red committee.

The question was called. The motion passed with dissent [1 nay – Poynter].

Mr. Hunt presented **A2003-0251, Ohio County Fiscal Court**. The application received a high priority from Ohio County. The applicant requested Ohio County Agricultural Development Funds to cover the cost of upgrading the lighting system for the 100 x 220 foot livestock arena located on Ohio County Park grounds. Adequate lighting will allow the Agriculture Community in Ohio and surrounding counties to more effectively utilize the indoor facilities to present livestock shows, sales and educational events.

Mr. Hunt reviewed the proposed terms and conditions for the project. Mr. Hunt moved that A2003-0251 be approved for \$3,420 in Ohio County Agricultural Development Funds; Mr. Mitchell seconded the motion. The motion passed without dissent.

Mr. Hunt presented **A2003-0483, Felice Vineyards LLC**. The application received a high priority from Jefferson County. The applicant requested \$1,000 in county funds and \$268,550 in state funds for the establishment of a commercial winery, which will provide a market for Kentucky grown vinifera grapes. The ADB funds were sought for winery equipment, renovation of the winery building, expansion of a patio and parking area and providing agribusiness jobs at the winery. The applicant is currently providing a market for 15 tons of grapes, purchasing grapes from four producers. The three-year project projections for full production will require 420 tons of grapes, from 105 producers and Kentucky vineyards. Many of the producers they will purchase from are heavily tobacco dependent.

The objective of the project is to establish a commercial winery to assist the establishment and growth of the wine industry in Kentucky. The applicant will identify grape growers and vineyards, contract for purchase of those grapes, and work with growers to promote vineyard health. The winery is established and beginning to make wine at 829 East Market Street in Louisville and has contracts due to establishing the winery as a wholesaler as well as producer with 12 restaurants and 2 retail stores to carry the wine as soon as it is available. Felice Vineyards has crushed 15 tons of grapes this fall and is currently making the wine and preparing to store and bottle it as soon as it is ready.

The Red Board Project Review Committee recommended funding in the amount of \$60,436 in state funds and \$1,000 in Jefferson County funds for eligible equipment

requested and verified as eligible for match. Mr. Hunt reviewed the proposed terms and conditions for the project. Mr. Hunt moved that A2003-0483 be approved for \$60,436 in state and \$1,000 in Jefferson County Agricultural Development Funds; Mr. Moore seconded the motion. The motion passed without dissent.

Mr. Hunt presented **A2003-0500, The KY Freshwater Prawn Alliance**. The Kentucky Freshwater Prawn Alliance, a new organization of Kentucky freshwater shrimp producers, requested \$878,975 of state funds to implement the recommendations put forth in the Van Erden Aquaculture Market Assessment. This project will improve the overall Kentucky freshwater prawn industry by improving Kentucky production from the beginning stages of nursery grading of seed stock to the final stage of delivery of value added products in retail outlets for consumers. The project will be implemented in three phases over the next two years. Phase I of the project involves Fishmarket Seafood, Inc. contracting (in 2003) with several growers involved in the Southern Kentucky Shrimp Cooperative to purchase and pick-up harvested prawns at the pond bank, transport them to the Purchase Area Aquaculture Cooperative (PAAC) where they will be processed and packaged according to Fishmarket Seafood, Inc. specifications. Fishmarket Seafood, Inc. will have the prawns packaged in several different forms in custom packaging designed for the retail markets. Fishmarket Seafood, Inc. will have product demonstrations in select retail stores, including ten Kroger retail stores, to ascertain acceptance and opinions concerning the freshwater prawns. Fishmarket Seafoods will pursue the development of value-added product forms in cooperation with a respected chef and trial those forms for selected target outlets, including for trials of the Kroger demonstrations. These market entities will work with the Kentucky Department of Agriculture to conduct a coordinated promotional campaign for the launch of these complementary product forms for different targeted markets.

Phase II (2004): This phase ensures high quality graded discounted seed stock delivered by Thoroughbred Shrimp Company to production ponds that are in good condition and managed according to best management practices as determined and supported by a technical support specialist at Kentucky State University.

Also in this phase, based on the results of product demonstrations during the 2003 harvest season, product forms, which show commercial potential, will be further developed to maximize appeal and profitability. This development will draw on the expertise of chefs, food scientists, and economists with the projected end product being a branded product line with the potential of viable mass production.

Phase III (2005): Building upon lessons learned and success in the development of a branded product line and acceptance of these products by consumers, this phase is important to expand production and processing capabilities into additional regions of the state. During Phase III, production and processing will be expanded into the eastern and western regions of the Commonwealth.

Both of the Board Project Review Committees reviewed this application and recommended funding this application to three of the specific entities involved in the project, Fishmarket Seafood Inc., Thoroughbred Shrimp Company, and the Kentucky State University Aquaculture program. The amounts recommended for funding are as follows: \$109,250 to Fishmarket Seafood for equipment, packaging

and market development for value-added processing for Kentucky Freshwater prawns; \$125,000 to Thoroughbred Shrimp Company for equipment to allow for grading of prawn seedstock; and \$37,500 to the Kentucky State University Aquaculture program for a technical support specialist for Kentucky freshwater prawns. Mr. Hunt reviewed the proposed terms and conditions for each of the project entities. Mr. Hunt moved that A2003-0500<sup>5</sup> be approved for 271,750 in state Agricultural Development Funds; Mr. Clay seconded the motion. The Chair opened the floor for discussion.

Mr. Lawson asked if the project could be done with this smaller amount of money. It was indicated that the project could continue with the lesser amount of money; the applicants are aware of this recommendation and were present at the Board Project Review committees.

Ms. Poynter asked how many farm families would benefit. Bradley Wellons, Area Project Analyst, indicated that an average of 55 would benefit, but up to 100 could and this number will increase if market demand increases.

Mr. Sellers asked for clarification of the Bubba Sue & Company portion; he was concerned about conflict of interest. It was indicated that this portion of the project was not included in the recommendation.

The question was called. The motion passed without dissent.

Mr. Hunt presented **A2003-0585, Commodity Growers Cooperative Association, Inc.**

The application received a high priority from the following counties: Bracken, Fleming, Lewis, Mason and Robertson. The applicant requested \$190,000 state funds and \$30,000 County funds to utilize establish wholesale hay and produce auction in Maysville that will create marketing opportunities for producers as well as improve the profitability of their farm operations. Funds will be used for land acquisition, site work, construction of a sales structure, entrance, access road, and initial operating capital.

The Commodity Grower's Cooperative Association will promote, market and manage the day-to-day operations of the auction. After the initial year of the auction, a grower group will be organized to manage the auction. The produce and hay auction will benefit the area by creating a wholesale market for the following products: green beans, cabbage, strawberries, blueberries, blackberries, sweet corn, peppers, cucumbers, pumpkins, watermelon, cantaloupe, bedding plants, hanging baskets, and mums. All varieties of hay will be sold in varying sizes: small square, large square, and round. County contributions to the project are as follows: Mason-\$10,000; Fleming-\$5,000; Lewis-\$5,000; Robertson-\$5,000; and Bracken-\$5,000.

Mr. Hunt reviewed the proposed terms and conditions for the project. Mr. Hunt moved that A2003-0585 be approved for a total of \$210,000 in state and county

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<sup>5</sup> For tracking purposes, each of the entities was assigned its own number (A2003-0500, Fishmarket Seafood, Inc.; A2003-0516, Thoroughbred Shrimp Company; and A2003-0523, Kentucky State University), which are grouped by a project number (P2003-0089).

funds as detailed above; Mr. Moore seconded the motion. The motion passed without dissent.

Mr. Hunt presented **A2003-0590, Kentucky Center for Agriculture and Rural Development, Inc.** The applicant requested \$271,985 in state Agricultural Development Funds for fiscal year 2005. The Kentucky Center for Agricultural Development and Entrepreneurship has been in existence for two years providing leadership, educational, technical and financial resources for groups and organizations seeking to enhance opportunities through cooperatives.

Mr. Hunt reviewed the proposed terms and conditions. Mr. Hunt moved that A2003-0590 be approved for \$271,985 in state funds; Mr. Lawson seconded the motion. The Chair opened the floor for discussion.

Dean Smith asked why state funds, rather than KCADE funds, were being recommended. It was indicated that past awards had been from state funds, but that this precedent could be changed, if the Board wished

Commissioner Smith noted that this organization presented at a meeting of the Kentucky Agriculture Council and will request of Representative Roger Thomas and Senator Vernie McGaha that this group make a presentation to the appropriate legislative committee(s), as well as presenting before this Board.

The question was called the motion passed without dissent.

Mr. Hunt presented **A2003-0598, Murray State University Foundation, Inc.** The application received a high priority from Calloway and Christian Counties. The applicant requested \$10,000.00 in county funds and \$353,085 in state funds for a total of \$363,085. The funds will be used to assist the Agricultural Diversification Enhancement Alliance. Primary partners of the alliance include Kentucky West Nursery, Purchase Area Aquaculture Cooperative, Western Kentucky Dark-Fired Tobacco Association, Cattlemen's Associations, public high school agriculture programs with greenhouses and the Murray State University School of Agriculture.

Agricultural Development funds would be used to develop demonstration/education sites on the Murray State University regional campus and to provide services to enhance previously funded projects. The specific initiatives of the Alliance are: Horticulture Enhancement, Aquaculture Enhancement, Beef Cattle Production Enhancement, and Agricultural Diversification Model Program Enhancement.

\$184,760 in ADB Funds were requested under the Horticulture Enhancement Initiative to add two 30' X 96' greenhouses to the existing greenhouse on MSU's campus. This initiative will enhance lab experience for MSU students, and refine techniques for Kentucky West Nurseries Coop. It will also provide a demonstration site for Kentucky West's growers, high school students and college students. In addition, this initiative will pursue alternative uses of greenhouses.

\$87,995 in ADB Funds was requested under the Aquaculture Initiative to construct 5 small 1-acre ponds on MSU's campus for demonstration production, expansion and research. This initiative will allow the Purchase Area Aquaculture Cooperative

to explore producing striped bass and freshwater prawn and conduct feed type research. MSU will cooperative with KSU on this initiative, conducting joint research and educational projects.

\$30,265 in ADB Funds was requested under the Beef Cattle Production Initiative to purchase a portable ultrasound machine to perform on-farm evaluations of carcass characteristics. This initiative will assist the Fencing, Forage, Cattle Handling and Genetics Improvement Model programs.

\$59,075 in ADB Funds was requested under the Agricultural Diversification Model Program Enhancement Initiative to conduct workshops, field days, field trips, demonstrations and marketing to consumers and potential growers.

This project will benefit over 670 agriculture students from 55 counties. This project will also benefit producers in the 18 county service region of the University.

The Red Committee recommended funding in the amount of \$5,000 Calloway County funds, \$5,000 Christian County funds and \$247,995 in state funds, for a total of \$257,995. The reduction reflects eligible cash match and removing the Beef Cattle Production component request. Mr. Hunt reviewed the proposed terms and conditions for the project. Mr. Hunt moved that A2003-0598 be approved for \$257,995 in state and county funds as detailed above; Mr. Lawson seconded the motion. The Chair opened the floor for discussion.

Dean Smith asked if capital construction projects on a university campus had been approved before. It was determined that precedence with capital construction on a university had been set with the Western Kentucky University greenhouse.

The question was called. The motion passed without dissent.

Mr. Hunt presented **A2003-0602, Kentucky Specialty Grains, LLC**. The applicant requested \$72,475 in Kentucky Center for Agricultural Development & Entrepreneurship (KCADE) funds to determine the range of food ingredients that could be produced at a premium price, identify market strategies for entering the soy food market and to ultimately determine if the soy food market is a viable business opportunity for Kentucky soybean producers.

The undertaking of this study is an extension of a study the Board funded with the Kentucky Soybean Association that indicated there was potential for soybean farmers to supply identity preserved food-type soybeans to a producer owned processing facility. Based on the findings of this feasibility study, it is estimated that the project has the ability to initially impact fifty to sixty south-central producers that would be needed to supply identity preserved food-type soybeans for value added processing.

Mr. Hunt reviewed the proposed terms and conditions for this project. Mr. Hunt moved that A2003-0602 be approved for \$72,475 in KCADE funds; Mr. Moore seconded the motion. The Chair opened the floor for discussion.



Dean Smith clarified that this was a feasibility study. Mr. Bratcher confirmed that this was a continuation of the prior study. He also noted that the applicant has also applied for a USDA Value Added Development Grant.

The question was called. The motion passed without dissent.

Mr. Hunt presented **A2003-0603, Cumberland Farm Products, Inc. (CFP)**. The applicant requested \$42,125 in KCADE funds to hire CoBank Business Advisory Services to perform a joint venture feasibility study and to develop and execute a business plan for this venture. Funds will also be used to cover any legal or engineering fees involved, as well as travel expenses for CFP's employees. CFP has applied for a USDA Value Added Development Grant, which it intends to use as matching funds for this request.

As a result of their 2002 market feasibility study, the CFP Board of Directors decided to pursue the possibility of jointly developing a year-round vegetable processing and fresh pack facility at one of CFP's properties with an existing vegetable processor. CFP has since met with a vegetable processor that has a national presence with multiple facilities across the country and discussed the possibility of forming a joint venture. This joint venture would result in a vegetable processing facility located at one of CFP's facilities, with CFP having joint ownership. Before CFP can pursue this joint venture, a significant amount of analysis, legal work, and engineering needs to be performed.

Currently, Cumberland Farm Products successfully markets the produce of 157 farmers and accesses its vegetables from over 500 acres of land, primarily growing tomatoes, peppers, cabbage and pumpkins. This facility would be a marketing source for CFP's members and other vegetable cooperatives and producers across the state. The venture would also bring the economic development benefits of new jobs to the Lake Cumberland area.

Mr. Hunt reviewed the proposed terms and conditions for the project. Mr. Hunt moved that \$42,125 of KCADE funds be approve for A2003-0603; Mr. Moore seconded the motion. The motion passed without dissent.

## Review of Amendments

Mr. Royalty presented the following amendment for approval.

**A2003-0045, Madison County Beef Cattle Association**, was approved for \$74,475.00 on March 21, 2003. The applicant requests a decrease of \$29,208 from the Cattle Genetics program. These funds are to be reallocated to the Cattle Handling program [A2003-0589]. Approval of this request would bring the project total to \$45,267.

**A2003-0454, Logan County Farm Bureau**, was approved for \$25,000.00 on October 17, 2003. This amendment is to correct a clerical error: This application was approved with the incorrect applicant name. The Logan County Cattlemen's Association, Incorporated should be listed as the "Applicant Name."

**A2001-0878, Northern Kentucky Cattle Association, Inc. (Kenton Co.),** was approved for \$31,000.00 on January 18, 2002. The applicant requests a decrease of \$6,460 for the Forage Improvement Program. These funds are to be reallocated to the Cattle Handling Program. Approval of this request brings the program total to \$24,540.

**A2003-0037, Jackson County Cattlemen's Association,** was approved for \$75,000.00 on July 18, 2003. The applicant requests a decrease of \$1,105.18 for the Forage Improvement Program. These funds are to be reallocated to the Cattle Genetics Program. Approval of this request brings the project total to \$73,894.82.

**A2003-0345, Jackson County Cattlemen's Association,** was approved for \$4,169.70 on July 18, 2003. The applicant requests an increase of \$1,105.18 for the Cattle Genetics Program. These funds are to be reallocated from the Forage Improvement Program [A2003-0037]. Approval of this request brings the total for this project to \$5,274.88.

Mr. Moore moved to approve the above amendments; Dean Smith seconded the motion. The motion passed without dissent.

Mr. Royalty presented a separate amendment for the **Adair County Heifer Chain Project (A2001-0235)**. The Adair County 4-H Council requested that \$8,200 in funds originally allocated to purchase heifers and to pay fees associated with heifer purchase and registration be reallocated to pay for additional storage equipment, a storage building, corral panels, and 10' trailer to haul eh corral panels from farm to farm. Mr. Moore moved approval of this amendment; Mr. Mitchell seconded the motion. The motion passed without dissent.

Mr. Royalty presented an informational memo related to **Germantown Fair Board (A2002-0076, A2002-0508)**. The memo referenced an attached letter from the Germantown Fair Board in which the Board declined their grant award. Mr. Moore asked for a little background. Mr. Bratcher relayed information about the project concerning events after this Board approved the project. Mr. Bratcher summed it up as differences of opinion within the Fair Board. The money committed by Mason, Robertson, and Bracken Counties will be released to the Counties' accounts and the state money approved will revert back to the state account.

## Recommendations for No-Funding<sup>6</sup>

Mr. Royalty presented projects A2003-0298, A2003-0438, A2003-0445, A2003-0549, A2003-0554, A2003-0559, A2003-0560, A2003-0569, A2003-0570, A2003-0571, A2003-0572, A2003-0573, A2003-0576, A2003-0577, A2003-0578, A2003-0584, A2003-0592, A2003-0594 as projects recommend for no-funding by the project review committees. The Chair opened the floor for discussion of any specific projects.

Mr. Lawson asked about the status of Agri-tourism. Commissioner Smith conveyed information about the Agri-tourism Council. Mr. Bratcher explained the history of the Agri-tourism applications and what was approved in the last application.

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<sup>6</sup> Detailed list of projects for a no-funding recommendation listed in Appendix C.

Mr. Lawson commented about agri-tourism.

Mr. Bratcher added that the last application also included developing a Master Plan for Agritourism.

Commissioner Smith noted obstacles faced by the Department of Agriculture before the position announcement can be released.

Mr. Case moved that no funding be awarded to same; Mr. Moore seconded the motion. The motion passed without dissent.

### **Other Business**

Mr. Neaveill addressed a question about how much money was committed from today's funding decisions. Mr. Neaveill added additional information about commitments from the Agricultural Development Fund.

### **Closing Remarks**

Commissioner Smith made a presentation and recognized Gene Royalty's service to agriculture, state government, and public service. Mr. Royalty was presented with a token of appreciation from the Board, staff and friends. Mr. Royalty said a few words of thanks.

The next meeting of the Kentucky Agricultural Development Board will convene at 1:30 p.m. on Friday, December 19 at KY History Center's Brown-Forman Room. Note time and location of meeting subject to change; ample notification will be given if such a change occurs.

The meeting adjourned at 12:30 p.m.

**APPROVED:** \_\_\_\_\_

**PRESIDING OFFICER:** \_\_\_\_\_

**SECRETARY:** \_\_\_\_\_

## Appendix A: New Applications for Referral

<i><b>Appl #</b></i>	<i><b>Project Name</b></i>	<i><b>Project Type</b></i>
A2003-0605	Rockcastle Goat Producers Association	Goat Diversification
A2003-0606	Rockcastle Goat Producers Association	Goat Diversification
A2003-0607	Kentucky ShitakeMushroomGrowers	Project
A2003-0608	PIC USA, Inc.	Project
A2003-0609	Fleming County School Board	Project
A2003-0610	Jackson Purchase RC&D Foundation, Inc.	Agricultural Diversification
A2003-0611	Boone's Abattoir, Inc.	Project
A2003-0612	Natural Resources and Environmental Protection Cabinet	Project
A2003-0613	Morgan County 4-H Council	Project
A2003-0614	Owensboro Community College	Project
A2003-0615	Bath County Agricultural Extension Foundation, Inc.	Project
A2003-0616	Grayson County Cattlemen's Association	Handling Facilities Cost Share
A2003-0617	SKAD/Pulaski County Meat Goat Producers Association	Goat Diversification
A2003-0618	SKAD/ Pulaski County Cattlemen's Association	Handling Facilities Cost Share
A2003-0619	SKAD/ Pulaski County Cattlemen's Association	Genetics Improvement
A2003-0620	Harrison County Beef Cattle Association	Fencing Improvement
A2003-0621	Clark County Conservation District	Forage Improvement
A2003-0622	Harrison County Beef Cattle Association	Hay, Straw and Commodity Storage
A2003-0623	East Kentucky Beef Cattle Council	Project
A2003-0624	Johnson County Agricultural Advancement Council	Project
A2003-0625	Harrison County Beef Cattle Association	Goat Diversification
A2003-0626	Licking River Valley RC&D Council	Project

## Appendix B: Model Programs Approved

### *Agricultural Diversification*

<b>App #</b>	<b>Administrator</b>	<b>County</b>	<b>Funds</b>
A2003-0583	Green River Area Development District	Henderson	\$25,600.00

### *Fencing Improvement*

<b>App #</b>	<b>Administrator</b>	<b>County</b>	<b>Funds</b>
A2003-0556	Breathitt County Conservation District	Breathitt	\$52,500.00
A2003-0530	Grant County Cattlemen's Association, Inc.	Grant	\$25,000.00

### *Forage Improvement*

<b>App #</b>	<b>Administrator</b>	<b>County</b>	<b>Funds</b>
A2003-0580	Beef Improvement Council, Inc.	Breckinridge	\$65,000.00
A2003-0593	Warren County Conservation District	Warren	\$70,000.00

### *Genetics Improvement*

<b>App #</b>	<b>Administrator</b>	<b>County</b>	<b>Funds</b>
A2003-0528	Northern Kentucky Cattle Association, Inc.	Kenton	\$10,000.00
A2003-0525	Mountain Cattlemen's Association	Lee	\$5,272.00

### *Goat Diversification*

<b>App #</b>	<b>Administrator</b>	<b>County</b>	<b>Funds</b>
A2003-0587	Green River Area Development District, Inc.	Daviess	\$20,000.00

### *Handling Facilities*

<b>App #</b>	<b>Administrator</b>	<b>County</b>	<b>Funds</b>
A2003-0522	Northern Kentucky Cattle Association, Inc.	Kenton	\$8,700.00
A2003-0589	Madison County Beef Cattle Association	Madison	\$29,208.00
A2003-0595	Warren County Cattle Producers Association, Inc.	Warren	\$70,000.00
A2003-0599	Green River Area Beef Improvement Group, Inc.	Webster	\$6,668.00

### *Hay, Straw & Commodity Storage*

<b>App #</b>	<b>Administrator</b>	<b>County</b>	<b>Funds</b>
A2003-0574	Christian County Conservation District	Christian	\$75,000.00
A2003-0499	Lewis County Conservation District	Lewis	\$40,000.00
A2003-0601	Robertson County Soil Conservation District	Robertson	\$72,500.00
A2003-0546	Spencer County Farm Bureau	Spencer	\$52,500.00
A2003-0527	Wayne County Agriculture Development Council, Inc.	Wayne	\$40,000.00

### *On-Farm Water Enhancement*

<b>App #</b>	<b>Administrator</b>	<b>County</b>	<b>Funds</b>
A2003-0575	Christian County Conservation District	Christian	\$75,000.00

## Appendix C: Recommendations of No Funding

<i><b>App #</b></i>	<i><b>Project Name</b></i>	<i><b>County</b></i>
A2003-0398	Barren River Regional Livestock Center, LLC	Edmonson
A2003-0438	Barren River Regional Livestock Center, LLC	Allen
A2003-0445	Green River Produce Marketing Cooperative	Green
A2003-0549	Farm Specialty Meats, LLC	Wayne
A2003-0554	Washington County Conservation District	Washington
A2003-0559	Farms' Pride LLC	Christian
A2003-0560	Clark County Extension District Board	Clark
A2003-0569	Christian County Water District	Christian
A2003-0570	Herndon Volunteer Fire Department	Christian
A2003-0571	Hopkinsville High School	Christian
A2003-0572	Young & Armbruster	Christian
A2003-0573	Progressive Beef LLC	Christian
A2003-0576	West Kentucky Corporation for the Agritourism Advisory Council	Warren
A2003-0577	Boones Abattoir, Inc.	Green
A2003-0578	Family Farm Project Cooperative Association	Henry
A2003-0584	Four Rivers Sport Horse Complex	McCracken
A2003-0592	Green River Produce Marketing Cooperative	Warren
A2003-0594	Warren County Cattle Producers Association, Inc.	Warren